Ford School of Public Policy 555: Microeconomics A
Fall 2010

Basics
Lecture: 1:00-2:30pm Mondays and Wednesdays, 1120 Weill (Annenberg Auditorium)
Section: 2:30-4:00pm Fridays, 1120 Weill[*] (Annenberg Auditorium)

Instructors
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Course Description
This course introduces the application of basic microeconomic analysis to public policy issues.
The principal goal is to teach students the process of microeconomic reasoning and how to apply
that reasoning to policy issues in the real world. The course covers the basic topics in
microeconomic theory: consumer theory, production theory, competitive and non-competitive
(e.g. monopolistic) markets, and game theory. Some calculus will be used along with a great deal
of algebra and graphical analysis.

Text and Other Resources
The textbook is *Microeconomics* by Pindyck and Rubinfeld (we will be using 7th edition, but any
recent edition is fine). Additional readings may be added as the need arises. Any other readings
will be put on reserve in the reading room and/or posted on the class ctools page. Students should
also read the New York Times and The Economist on a regular basis.

Class attendance and participation
Students are expected to attend and participate in class. While the class will have a lecture
format, I expect you to bring questions, comments, and answers to class. The class will be much
more enjoyable for me, you, and everyone else if we all don't have to listen to me talk for 80
minutes straight. Also, we will cover some topics in class that are not covered in the book. I will
provide handouts of *partially complete* lecture notes during class on which I encourage you to
take notes. Laptop use is not permitted during class.

Sections
The GSIs will lead a section every Friday from 2:30-4pm. Sections will do some limited review
of material covered in lecture, but will mostly focus on working through examples and problems,
similar to those you may see on problem set assignments and exams. Section attendance is not

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[*] Note: Section will be held in 1110 Weill Hall on October 1st

mandatory, but is highly encouraged, especially if you are having difficulty translating the material from lecture into practice.

Problem Sets:
There will be five graded problem sets during the term and one (non-graded) optional problem set. A problem set will be due about every two weeks on the dates below.

	Handed out	Due
Problem set 1	September 13	September 20
Problem set 2	September 27	October 4
Problem set 3	October 18	October 25
Problem set 4	November 1	November 8
Problem set 5	November 22	November 29
Problem set 6	December 6	not due (solutions given with assignment)

Students are <u>encouraged to work in small groups</u>, but each student must turn in his or her own answers. Problem sets are due at 1:10pm (beginning of lecture) the day they are due. Since solutions will be posted when problem sets are due, no late problem sets will be accepted. If you know you will not be in lecture that day, make arrangements for someone else to turn it in for you or turn it in early. Problem sets will be graded on a √+,√, √- scale. Since problem sets 2 and 4 are due a few days before an in-class exam (see below) and will not be graded and returned before the exam, you are encouraged to make photocopies of your answers for use in exam preparation.

Exams
There will be three in-class exams held from 1:00 to 2:30 on the following dates:
        October 6
        November 10
        December 13
Each exam will roughly focus on one of the three sections of the course: consumers, producers, and markets. They generally will not be cumulative, though some of the basic concepts will be used throughout the course. There will NOT be a final exam. There will be no make-up exams and no grades of incomplete. I reserve the right to change these dates with at least one week's notice should we fall behind or get ahead of schedule.

Grading:
Grades will be based on problem sets and the three in-class exams. Grades will be calculated as:
        25% Problem sets
        25% for the first exam
        25% for the second exam
        25% for the third exam
I anticipate that the great majority of grades will fall within the A and B range, with possibly a few A+'s and possibly a few C+'s.

Syllabus

The topics and associated readings are described below. Please read the material in the text before class. I will try to always give you the exact page numbers corresponding to what I plan to cover each class at least one class ahead of time. Depending on the exact pace of things, we may deviate from this schedule slightly. I will close each lecture with a reading plan for next time: that will be the authoritative schedule.

Date	Day	Description	Topic (# lectures)	Specific topics	P&R	Problem Sets
6-Sep	Mon	Labor Day: No lecture				
8-Sep	Wed	Lecture 1	Intro to the course (1)	Tradeoffs, prices, markets, micro, what all this means for policy, start supply and demand curves	1, 2	
13-Sep	Mon	Lecture 2	Supply and demand basics (2)	Supply and demand curves, equilibrium, changes in in equilibrium (shifts in curves), elasticities, price controls	2	1 out
15-Sep	Wed	Lecture 3		Introduce consumer and producer surplus	2, 9.1	
20-Sep	Mon	Lecture 4	Consumer behavior (2)	Preferences, budget constraints, MRS, choice, revealed preference, marginal utility	3	1 in
22-Sep	Wed	Lecture 5				
27-Sep	Mon	Lecture 6	Individual and market demand (3)	Indiviual demand, income and substitution effects, market demand, consumer surplus	4	2 out
29-Sep	Wed	Lecture 7		Applications: labor supply, welfare, Food Stamps, retirement savings		
4-Oct	Mon	Lecture 8		More applications		2 in
6-Oct	Wed	In-class exam				
11-Oct	Mon	Lecture 9	Risk and uncertainty in consumer behavior (1)	Describing risk, preferences towards risk, reducing risk, behavioral economics, [demand for risky assets]	5	
13-Oct	Wed	Lecture 10	Production (1)	Technology of production, production with one input, APL, MPL, labor productivity, production with two inputs, returns to scale	6	
18-Oct	Mon	Fall study break: No class				3 out
20-Oct	Wed	Lecture 11	Cost of production (2)	Defining and measuring costs (fixed, variable, sunk, opportunity, marginal, average), short-run costs, long-run costs, short-run vs. long-run cost curves,	7	
25-Oct	Mon	Lecture 12				3 in
27-Oct	Wed	Lecture 13	Competitive supply & profit maximization (2)	Describing competitive markets, profit maximization (MR=MC=P), output in short-run, short-run firm and market supply, producer surplus, output in long-run, industry long-run supply,	8	
1-Nov	Mon	Lecture 14				4 out
3-Nov	Wed	Lecture 15	Analysis of competitive markets (2)	Consumer and producer surplus, DWL, efficiency and limitations of competitive market, minimum prices, price supports and production quotas, quotas and tarifs, taxes and subsidies	9	
8-Nov	Mon	Lecture 16				4 in
10-Nov	Wed	In-class exam				
15-Nov	Mon	Lecture 17	Market power (2)	Monopoly, monopoly power and sources, social costs of monopoly, monopsony, monopsony power, limiting market power (anti-trust)	10	
17-Nov	Wed	Lecture 18				
22-Nov	Mon	Lecture 19	Pricing with market power (2)	Capturing consumer surplus, price discrimination, intertemporal price discrimination and peak-load pricing, two-part tariffs,	11	5 out
24-Nov	Wed	Lecture 20				
29-Nov	Mon	Lecture 21	Monopolistic competition and oligopoly (2)	Monopolistic competition, oligopoly, price competition, prisoners' dilemma, cartels	12	5 in
1-Dec	Wed	Lecture 22				
6-Dec	Mon	Lecture 23	Game theory (1)	Gaming and strategic decisions, dominant strategies, nash equilibrium, repeated games, sequential games, threats and credibility, entry deterrance	13	6 out
8-Dec	Wed	Lecture 24	Review and catchup			
13-Dec	Mon	In-class exam				